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Report Highlights:
Inflation at five month low of 8.9 percent, *Govt procures 20% more rice this season*, *DGFT effects partial relaxation of ban on non-basmati exports*, *Maize exports set to crash in FY 2009*, *Govt mulls subsidized sale of pulses*, *Imposition of import duty on crude soybean oil to 20 percent*, *GEAC clears limited field trials of GM Corn*, *Edible oils export in packs allowed*, *India may import more palm oil as soybean oil becomes costly*, *Duty drawback rates to be reviewed again*, *Higher prices slow down cotton exports from India*, *India is free of bird-flu, for now*, *Leather industry rides recession so far, fears export decline*.

Includes PSD Changes: No
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Welcome to Hot Bites from India, a weekly summary of issues of interest to the U. S. agricultural community. The report includes information that has been garnered during travel within India, reported in the local media, or offered by host country officials and agricultural analysts. Press articles are included and summarized in this report. Significant issues will be expanded upon in subsequent reports from this office. Minor grammatical changes have been made for clarification.

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INFLATION AT FIVE MONTH LOW OF 8.9 PERCENT

The inflation rate eased to its lowest level in five months at 8.9 percent for the week ending November 8, primarily due to lower prices of fuel, metal and manufactured goods. However, the decline was meager compared to 8.98 percent during the previous week largely due to a 0.4 percent rise in prices of primary products, which included food articles such as pulses, fruits and vegetables. The drop in inflation to single digit levels is still higher than the central bank's target of five percent for the year. Analysts are of the view that the trigger for the drop in inflation may not exist in coming weeks as the fuel price index will consolidate around these levels until the central government is able to control the administered prices of articles in this segment. Although the general trend in inflation is down, the prices of primary articles continue to remain volatile. There was a 0.1 percent increase in prices of food articles and a 1.1 percent increase in the price of non-food articles during the week. (Source: The Economic Times, 11/21/08)

GOVT PROCURES 20% MORE RICE THIS SEASON

Rice procurement by the Centre on Monday crossed the 10 million ton mark, with an increase of over 20 percent from the corresponding period last year. "Rice procurement in the on-going season has reached 10.17 million tons as on November 17 compared to 8.47 million tons in the year-ago period," a senior official of the Food Corporation of India (FCI) said. The government aims to procure 27.6 million tons of rice in the 2008-09 season (October-November) for which it has announced the minimum support price (MSP) at Rs 850 a quintal for common variety and Rs 880 a quintal for 'Grade A'. The Centre also announced a bonus of Rs 50 a quintal over and above the MSP for this season. (Source: Business Standard, 11/18/08)

DGFT EFFECTS PARTIAL RELAXATION OF BAN ON NON-BASMATI RICE EXPORTS

On November 18, the Director-General of Foreign Trade (DGFT) notified a partial relaxation of the ban on the export of non-basmati due to the request of two 100 percent export oriented units (EOUs) each in Pondicherry and Andhra Pradesh, even though the ban on such exports has been in vogue since April 1, 2008 to prevent low-priced rice from getting exported to endanger food security. The export of 25,000 tons of non-basmati rice from the two States would also dent the States' drive to procure for the public distribution system, if the unit exports common rice varieties, analysts caution. (Source: Business Line, 11/20/08)

MAIZE EXPORTS SET TO CRASH IN FY 2009

India's maize exports are set to crash to 200,000 tons in 2008-09 from three million tons due to the affect of the three month export ban imposed in India in July and the emergence of Brazil as a more competitive exporter. All Asian buyers who were earlier buying from India have now started buying from Brazil, Argentina and the United States because of falling freight rates. Furthermore, exports from Brazil have become more attractive as the decline in the Brazilian currency has been more than the Indian rupee. In addition to substantially lower exports from India, falling prices and slowing domestic demand from domestic poultry owners would hurt Indian farmers unless the government starts bulk procurement. According to an official of the Adani Enterprises Limited, international buyers are getting maize at $190-195 per ton and the Indian maize will no longer be competitive as it will not sell below $200 free-on-board. (Source: The HT Mint, 11/19/08)

GOVT. MULLS SUBSIDISED SALE OF PULSES

With the talk of impending general elections getting louder, the government is likely to consider a proposal for subsidized sale of pulses through the Public Distribution System (PDS). Agriculture Minister, Mr. Sharad Pawar told the Parliament that if the government has to ensure pulses available to the weaker sections, there is no other alternative than supplying the poor man's protein through the PDS. Although finer details on the quantum of subsidy are yet to be finalized, a 25 percent subsidy at current prices should come to Rs.6-7/kg if the pattern of edible oils is followed. The government is planning to distribute around 1 million ton of pulses in the coming few months to curb a spurt in its prices. According to available official data, the government generally imports pulses mainly from Myanmar and Australia. In the past few years, the Indian government has been striving to raise pulses production but has met with limited success as the crop faces stiff competition for acreage from wheat and rice. Unpredictable monsoons and low returns have also limited any sharp growth in pulse output. (Hindustan Times, 11/20/08)

IMPOSITION OF IMPORT DUTY ON CRUDE SOYBEAN OIL TO 20 PERCENT

On November 18, the government imposed a 20 percent import duty on crude soybean oil to prevent dumping of cheap products from overseas markets, while keeping the duty on refined oil unchanged at 7.5 percent. As part of measures to control inflation, the Centre had on March 31 abolished import duties on crude edible oil and reduced significantly custom duties on refined edible oils at 7.5 percent. In an official statement, the government today said it has withdrawn full exemption from the custom duty granted earlier on crude soybean oil. "Consequently, crude soybean oil will be subject to a basic custom duty of 20 per cent 'ad valorem'," it said, adding that there would be no change in the import duty on refined soybean oil. The change comes into effect from today. The government said it has carried out certain changes in custom duty rates "in the wake of the recent fall in the international prices of commodities and with a view to safeguard the interests of domestic producers." (Source: PTI, 11/18/08)

GEAC CLEARS LIMITED FIELD TRIALS OF GM CORN

The Genetic Engineering Approval Committee (GEAC) has permitted Monsanto India Ltd to conduct limited field trials of corn hybrids that are genetically modified (GM) to confer resistance to the corn borer insect pest and application of its 'Roundup' herbicide, according to highly placed sources. The sources said the clearance for 'bio-safety research level-1 field trials under confined conditions' of the GM corn (maize) hybrids was granted at GEAC's meeting last week. It basically allows the company to carry out bio-safety trials in one-acre plots at select state agricultural university-owned farms. These will be followed by level-2 trials on bigger 2.5-acre plots, which would then set the stage for large scale trials on farmers' fields. It will probably take 3-4 years for the product to be finally released for commercial cultivation", they added. (Source: Business Line, 11/18/08)

EDIBLE OILS EXPORT IN PACKS ALLOWED

On November 20, the Government announced that it will permit the export of edible oil in branded consumer packs of up to five kilograms, subject to a quantitative ceiling of 10,000 tons during the next one year up to October 2009. Earlier in March, the Government had banned exports of all edible oils because of domestic shortage of oils and high prices. A notification issued by the Director General of Foreign Trade (DGFT) specified that exports should only be permitted from customs-electronic data interchange ports to ensure documentation of all shipments. Additionally, the export of fish oil was also permitted freely. Official sources said that the net availability of edible oil from all domestic sources from November 2007 to October 2008 is estimated at 8.49 million tons and the import of edible oils is reckoned at 4.9 million tons. (Source: The Business Line, 11/21/08)

INDIA MAY IMPORT MORE PALM OIL AS SOYBEAN OIL BECOMES COSTLY

India, the world's biggest buyer of vegetable oil, may increase palm oil imports after the government imposed a tax on purchases of crude soya bean oil, the main substitute product, a trade body said. An increase in purchases may help support prices of palm oil, which have plunged 67% from a record in March. The commodity accounts for 90% of India's total imports of cooking fat. "This is good news for oil-palm growers in Indonesia and Malaysia as they are grappling with huge stockpiles," said B.V. Mehta, Executive Director of the Solvent Extractors' Association of India. Officials from the extractors association said that the government must remove curbs on exports of cooking fats including peanut oil to ensure farmers get remunerative prices. (Source: HT Mint, 11/20/08)

DUTY DRAWBACK RATES TO BE REVIEWED AGAIN

With India's exports having shrunk by 15% in October, the duty drawback committee, constituted by the Ministry of Finance is once again reviewing rates for certain sectors. While the exercise was initially being undertaken to address certain anomalies in the drawback policy announced in August this year, sources said that the committee will now also examine demands of exporters to enhance drawback rates for sectors like textiles. The committee, headed by Saumitra Chaudhuri, a Member of the Prime Minister's Economic Advisory Council, is expected to submit its recommendations by early December. In the meantime, industry chambers such as FICCI have asked the finance ministry to consider providing a relief package to domestic textile exporters, with an enhancement in the drawback being one of its features. (Source: Financial Express, 11/15/08)

HIGHER PRICES SLOW DOWN COTTON EXPORTS FROM INDIA

With Indian cotton prices ruling higher as compared to other countries such as America and Pakistan, Cotton exports from India have slowed down considerably. As per market estimates, Indian exporters have bagged cotton export contracts to the tune of 250,000 bales, of which only 50,000 to 60,000 bales have been exported mainly to Bangladesh. Total cotton exports during the same period last year stood at around 1.5 to 1.6 million bales. Despite depreciation in the rupee value against dollar, Indian cotton is still expensive as compared to America and Pakistan. China is the largest buyer of cotton from India. However, the landed price of American cotton in China is 58 cents per pound of lint, while Indian cotton cost works out to be 62 cent per pound. There is gap of four to five cent, which means Indian cotton is costlier by Rs. 1,200 to Rs. 1,300 per pound than the cotton imported from America and other countries. (Source: Business Standard, 11/19/08)

INDIA IS FREE OF BIRD-FLU, FOR NOW

The Central Government has notified the World Organization of Animal Health (OIE) that India has resolved all outstanding cases of bird-flu in the states of West-Bengal and Tripura. Official sources stated that India's voluntary notification to the OIE confirmed that the country has regained its 'bird-flu free' status for the time being. The government informed the OIE that since the last outbreak of bird flu in West Bengal and Tripura in January and April respectively, all cases have been successfully resolved and hence the country will no longer file any more status reports on the outbreak. This should bring much respite to the poultry industry and farmers as the consumption of chickens and eggs increases manifold with the advent of the winter season. (Source: The Financial Express, 11/19/08)

LEATHER INDUSTRY RIDES RECESSION SO FAR, FEARS EXPORT DECLINE

The leather industry, which has weathered the global meltdown so far, fears that there would be a substantial fall in orders in the coming months. Industry leaders fear that most buyers might delay orders for the coming season to the extent possible and this would impact the manufacture and export of leather products in India. Mukhtarul Amin, Chairman, Council for Leather Exports (CLE) says "So far, the going has been good. But we fear a 30% fall in orders in the last quarter of this financial year," Amin fears that the worst fall would be in demand for footwear and leather goods from major markets in the U.S. and Europe. Power cuts and high interest rates of working capital have crippled production and added enormously to production costs. CLE officials said that the global economic crisis, high expenditure on electricity and increases in interest rates on working capital and term loans have been squeezing out margins of the leather industry. They said that the government and banks should extend fiscal and financial support to the industry during these difficult times. (Source: Financial Express, 11/18/08)

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